


**ACTUARIAL NOTE  
REGULAR SESSION 2009**

<b>House Bill 673 HLS 09RS-997</b> <b>Engrossed/ With House Committee</b> <b>Amendments</b>	<b>Preparation of this Note was directed by the Actuarial</b> <b>Services Division of this office</b>
<b>Author: Representative Pope</b> <b>May 29, 2009</b>	
<b>LA # 25.02</b> <b>Louisiana State Employees' Retirement</b> <b>System/Teachers' Retirement System of</b> <b>Louisiana</b>	<b>Steve J. Theriot, CPA</b>  <b>Legislative Auditor</b>
<b>EG 5yr Ttl: See Note</b>	

**Bill Header:** Provides relative to service credit for certain furloughed members of the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana.

**Estimated Fiscal Impact**

<b>EXPENDITURES:</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>5 Yr Total</b>
<b>State General fund</b>	See below	See below	See below	See below	See below	See below
<b>Agy Self Generated</b>	0	0	0	0	0	0
<b>Stat Deds/Other</b>	0	0	0	0	0	0
<b>Federal Funds</b>	0	0	0	0	0	0
<b>Local Funds</b>	See below	See below	See below	See below	See below	See below
<b>Annual Total</b>	See below	See below	See below	See below	See below	See below

<b>REVENUES</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>5 Yr Total</b>
<b>State General fund</b>	See below	See below	See below	See below	See below	See below
<b>Agy Self Generated</b>	0	0	0	0	0	0
<b>Stat Deds/Other</b>	0	0	0	0	0	0
<b>Federal Funds</b>	0	0	0	0	0	0
<b>Local Funds</b>	See below	See below	See below	See below	See below	See below
<b>Annual Total</b>	See below	See below	See below	See below	See below	See below

**Purpose:**

Proposed law would allow employees of public postsecondary entities who are members of LASERS and TRSL who are furloughed voluntarily or involuntarily due to budget reductions to accrue up to 30 days of service credit during their furlough period and earn benefits in their respective retirement systems.

**Bill Provisions:**

Relative to the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System of Louisiana (TRSL); to provide for accumulation of up to 30 days of service credit during periods of furlough for employees of public postsecondary entities who are members of such systems; to provide for the calculation of benefits for such furloughed members; and to provide for the funding of benefits attributable to such service credits.

**Existing Provisions:**

Current law makes no provision for crediting service for periods of time while on voluntary or involuntary furlough due to budget cuts.

**Proposed Provisions:**

Proposed law will provide service credit for employees of public postsecondary entities who are members of LASERS or TRSL while such employees are on furlough due to budget cuts. Such service credits will be limited to 30 days in a fiscal year and will be used for the calculation of benefits and for the purposes of obtaining eligibility for retirement.

A furloughed employee will make an election at the time of the furlough whether or not to pay contributions and therefore be entitled to service credits for the furloughed period. An electing employee on furlough will be required to contribute what he would have had to contribute had he not been on furlough. An employer will have to contribute what it would have been required to contribute had the electing employee not been furloughed. The maximum period of such additional contributions will be 30 days for both the employee and the employer.

**Actuarial Impact:**

In general, the actuarial impact on LASERS and TRSL is negligible. The impact on specific cost components is summarized below:

1. Present Value of Future Benefits – the present value of future benefits for LASERS and TRSL is expected to increase. The amount of increase cannot be determined. The increase is expected to be very small, to the point of being negligible, because the proposed law is limited to employees of public post secondary entities

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who are members of LASERS or TRSL and because such members may only accrue an additional 30 days of service credit per fiscal year while on furlough.

2. Present Value of Accrued Liabilities – the present value of accrued liabilities for LASERS and TRSL is not expected to change.
3. Unfunded Accrued Liability – the unfunded accrued liability of the plan is not expected to change.
4. Normal Cost – the normal cost for LASERS and TRSL is expected to increase. The amount of increase cannot be determined. The increase is expected to be very small, to the point of being negligible.
5. Present Value of Future Normal Costs – the present value of future normal costs is expected to increase. The amount of increase cannot be determined. The increase is expected to be very small, to the point of being negligible.
6. Annual Contributions for the Next Five Years – annual contributions for the next five years are expected to increase. The amount of increase depends on the number of furloughed employees of public postsecondary entities who elect to accrue service credits and pay contributions.
7. Present Value of Future Contributions – the present value of future contributions is expected to increase. The increase is expected to generally offset the increase in the present value of future benefits.

### **Actuarial Analysis:**

This note is based on the following assumptions:

1. To receive 30 days of service credit while on furlough, an employee of a public postsecondary entity earning \$48,000 a year will have to elect to contribute \$300 to the retirement system at a time when he will not be receiving income from his employer ( $.075 \times \$48,000 / 12 = \$300$ ).
2. Older employees are more likely to elect to pay contributions into the System during the furlough period than younger employees because older employees are more apt to recognize the value of the additional credits.
3. Employees needing small amounts of service credit to attain eligibility for retirement are also more likely to pay contributions than other employees.
4. The actuarial cost of service credits purchased by older employees/teachers is likely to be greater than contribution amounts paid by the employee and employer.

Public universities and colleges who place employees on furlough expect to realize payroll savings. Under current law, payroll savings includes salary, retirement costs, and other benefit costs. With the enactment of House Bill 673, payroll savings, at least for those members electing to contribute during the furlough, will be reduced because savings from retirement costs, at least for the 30 day period, will not materialize.

### **Fiscal Impact:**

LASERS and TRSL expenditures over the next five years are expected to increase. The amount of increase cannot be determined, but is small, to the point of being negligible.

LASERS and TRSL revenues over the next five years are expected to increase. The amount of increase cannot be determined, but is small, to the point of being negligible.

The net fiscal impact over the next five years is negligible.

### **Dual Referral Rules:**

Estimated Fiscal Impact  $\geq$  \$500,000? **NO**